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FEDERAL RESERVE BANK OF DALLAS

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SOUTHWESTERN BANKING IN 1955

Banking developments in 1955 reflected, in a large measure, the rapidly shifting economic situation and the application of monetary and credit policy which seemed appropriate to the changing economic conditions and prospects. To afford a better understanding of the atmosphere in which banks operated and to indicate the reason for the major changes in banking activity and in monetary and credit policy, there is presented a brief review of economic developments during the year.

At the beginning of 1955, the economy had already made a substantial recovery from the recession low reached about mid-1954, and the general pattern of economic recovery was becoming more clearly defined. The gross national product, which declined to a low of $357,600,000,000 in the second quarter of 1954, had recovered to $367,100,000,000 in the fourth quarter. This increase had been sparked by the continued sharp gains in personal consumption expenditures and the high and rising level of construction activity, especially residential. Another important expansive development was the virtual cessation of inventory liquidation by the end of 1954. Federal defense outlays declined further, but at a much lesser rate than earlier. Reflecting strength in the demand for and output of automobiles, other consumer durable goods, and building and other industrial materials, the adjusted index of industrial production had advanced from 123 at midyear to 130 in December 1954, with the index of durable goods production up 11 points compared with 4 points in nondurable goods.

However, early in 1955, there was still some apprehension concerning the soundness of the recovery movement, since manufacturing employment had shown only a very modest improvement and unemployment continued in relatively large volume. These doubts disappeared in subsequent months, as the several measures of economic activity reached and passed the previous peaks. The gross national product, which surpassed the previous record early in 1955, continued to rise during the first and second quarters at about the same rate as in the final quarter of 1954. Early in the year, the economic picture was still dominated by rapid gains in consumer durables — notably automobiles — and steel and building materials production; subsequently, the marked improvement spread to most other industries. The March index of nondurable goods production broke into new high ground and continued upward until midyear, with some industries nearing capacity operation. While the index of durable goods production pushed up steadily in the first half of the year, with such segments as automobiles and steel bumping the capacity ceiling, the 1953 peak was not duplicated, largely because the expansion in the output of producers' equipment was slow in getting under way and in part because of the sharp reduction in defense production. Nevertheless, total industrial production, which had passed the previous peak in May, surged upward to a record level.

At the beginning of the second half of 1955, it was realized that the economy was operating in a difficult area. By this time, industry in general, with its accelerating activity, was increasing its manpower requirements, and many industries which were operating close to capacity found that additional production could be obtained only by extending the workweek or by putting on additional shifts. Moreover, it had become more difficult to expand employment because the labor force was being utilized rather fully, necessitating drawing upon less experienced or less efficient workers. Around midyear, the major automobile and steel companies made substantial upward adjustments in wages, which soon spread to a wide range of other industries. The pressure upon productive facilities was becoming more intense because of strong consumer demand, supported by rapidly expanding personal incomes and the increasing use of consumer credit, combined with rising expenditures for plant and equipment.

Business inventories were also expanding, but the strong pressure upon supplies had held the rate of growth below that of sales so that the ratio of inventories to sales was still declining. Moreover, the shortage of materials, especially metals and certain building items, was becoming more acute. In the atmosphere of a very favorable economic situation and a strong tone of confidence on the part of businessmen and consumers, economic activity continued the upward push into new high ground. Hence, by the end of the third quarter of 1955, nearly all segments had risen to record levels, and the economy as a whole was operating at virtual capacity.

These third-quarter economic developments — combined with rising costs of material, manpower shortages, and intensified demands — had placed a strain upon the price structure, and industrial prices were showing sizable increases.

In the fourth quarter, the rate of gain in economic activity began to taper off, reflecting capacity operations in many segments combined with some slowing down in others. By the end of the quarter, it was apparent that some contraction, particularly in residential construction and in automobiles and related industries, was under way. Business and consumer confidence, while still strong, had sobered considerably from that prevailing during the third quarter. Consumer spending had leveled out, but the gap had been filled by the continued upward trend in plant and equipment expenditures, higher government expenditures, and the accelerated rate of inventory accumulation. Hence, the year ended with the economy operating at near-capacity levels, with a strong demand for goods, and with an atmosphere of confidence tinged with a note of soberness.

The level of economic activity in the fourth quarter and the growth during the year may be observed from the data on the major indicators presented in the accompanying table.

MAJOR ECONOMIC INDICATORS

United States

(Dollar amounts in billions)

Indicator	Fourth quarter 1955	Fourth quarter 1954
Gross national product	$397.3	$367.1
Personal income	$312.1	$290.8
Personal consumption expenditures	$257.2	$241.0
Construction	$ 42.1	$ 39.2
Plant and equipment expenditures	$ 30.86e	$ 26.18
Industrial production (Seasonally adjusted, 1947–49 = 100)	143	128

e—Estimate based on anticipated capital expenditures as reported by business in late October and November 1955.
SOURCES: United States Department of Commerce.
Board of Governors of the Federal Reserve System.

The agricultural segment of the economy did not share in the rising tide of prosperity in the economy as a whole. Although production was close to a peak level, farm income declined further, reflecting the continued downward trend of prices and the higher costs of operation.

Monetary and credit policy during 1955 was formulated in the light of evolving economic developments. For the year as a whole, the policy was shifted from the maintenance of ease in the money market to the restraint of inflationary developments. The shifts during the course of the year were gradual, and, in general, actions sought to keep the growth of bank credit consistent with the sustainable growth requirements of the economy. In effectuating monetary and credit policy, the Federal Reserve System utilized open market operations, changes in discount rates, and changes in margin requirements on loans for purchasing and carrying listed securities.

On the whole, policy actions during the first half of the year were moderate and were designed to exercise mild restraint. In January and again in April, margin requirements on loans for purchasing and carrying listed securities were raised 10 percentage points in each instance, bringing the total to 70 percent of the market value of securities. This action was taken in view of the increasing amount of credit being used in the securities market, which was tending to support speculative activity. During the first 2 months of the year, approximately $1,300,000,000 of Government securities was sold in the open market or redeemed at maturity as a means of absorbing the reserves made available by the seasonal return flow of currency from circulation and the reduction in required reserves associated with the seasonal decline in deposits.

In April, when the economy was shifting from the recovery stage to that of expansion, discount rates at Federal Reserve banks were raised from 1½ percent to 1¾ percent to bring them in closer alignment with open market money rates and to make borrowing by individual banks more expensive. After midyear, when the economy was nudging capacity limits and inflationary pressures were mounting in an atmosphere of strong and expanding confidence, policy actions were directed toward placing greater restraint on bank credit expansion. During the last half of the year, net purchases of Government securities — including both open market operations and repurchase agreements — exceeded $1,000,000,000 but were sufficient to meet only a part of the reserve needs associated with seasonal factors. This action, which was taken with a view to providing for seasonal needs but limiting undue expansion of bank credit, made it necessary for the banking system to meet its needs in part by increasing indebtedness.

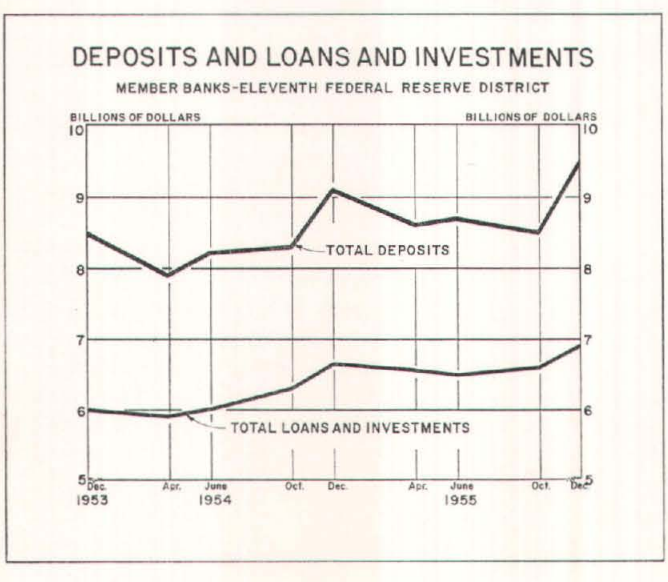
In August and September, and again in November, discount rates of Federal Reserve banks were raised from 1¾ percent to 2½ percent in three stages (two stages at the Cleveland bank) of ¼ percent each. Reflecting the effects of a rapidly expanding economy, the strong demand for bank credit, and the monetary and credit policies, short-term interest rates advanced substantially in 1955. During the first half of the year, when monetary and credit policy exerted only mild restraint and when the banking system, on balance, usually had some free reserves (excess reserves less borrowings from the Federal Reserve banks), short-term money rates were pushing upward, though at a moderate rate. The Treasury bill rate had shown a net rise of less than one-half of 1 percent. The 4- to 6-month commercial paper rate was up about three-fourths of 1 percent, and the prime lending rate of commercial banks remained unchanged.

Late in July, however, the over-all reserve positions of member banks shifted from a moderate volume of free reserves to a substantial volume of net borrowed reserves (borrowings from Federal Reserve banks less excess reserves). This shift, which reflected primarily a substantial increase in member bank borrowings from the Federal Reserve banks, occurred despite the deterrent effect of the higher discount rates on borrowing by individual banks. As the money markets tightened and as banks borrowed increasing amounts of reserves to meet that portion of the strong demand for credit which seemed most appropriate, the rise in short-term rates was accelerated. Commercial banks raised their prime lending rate, in two steps, from 3 percent to $3\frac{1}{2}$ percent; the Treasury bill rate advanced substantially and remained in close proximity to the discount rate; and the 4- to 6-month commercial paper rate rose 1 percent to the 3-percent rate prevailing at the end of the year. At the close of 1955, most short-term rates were at the highest level in about 20 years.

Economic developments in the Eleventh District in 1955 were essentially comparable with those in the United States, as discussed in the preceding paragraphs. The differences were largely a matter of degree, rather than direction. Hence, the commercial banks in this District operated in about the same economic climate as those in other sections of the country, experiencing the same stimulants and pressures.

The total resources of the District member banks, which had expanded sharply in 1954, increased at a more moderate rate in 1955. At the end of the year, the total amounted to $10,252,000,000, representing a gain of $418,000,000 compared with an increase of $649,000,000 in 1954. In the latter year, the enlarged supply of reserves resulting from the easy money policy in effect enabled member banks to expand total loans and investments — which, in turn, largely accounted for the growth in total resources. In 1955 the expansion was more moderate because, in view of the policy of credit restraint, member banks had to supply their funds for lending partly through adjustments in their investment portfolios and partly through increasing their indebtedness to the Federal Reserve bank.

Member bank deposits also increased at a slower rate in 1955 than in 1954. The year-end deposit total of $9,489,000,000 reflected an expansion of 4 percent during the year, compared with 7 percent in 1954. The $348,000,000 gain in total deposits occurred almost wholly in demand deposits of individuals, partnerships, and corporations and in total time deposits. Each of these groups showed about the same dollar increase during the year, whereas in 1954, all classes of deposits except those of states and political subdivisions shared in the much larger dollar gain. Normally, the major



DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Dec. 31, 1955	Dec. 31, 1954	CHANGE Dec. 31, 1955 over Dec. 31, 1954
DEMAND DEPOSITS	$8,185,786	$8,001,767	$184,019
Individuals, partnerships, and corporations	5,834,599	5,671,531	163,068
United States Government	145,510	160,390	−14,880
States and political subdivisions	555,619	559,035	−3,416
Banks in the United States	1,449,840	1,442,366	7,474
Banks in foreign countries	21,734	16,579	5,155
Certified and officers' checks, cash letters of credit and travelers' checks, etc.	178,484	151,866	26,618
TIME DEPOSITS	$1,303,042	$1,138,926	$164,116
TOTAL DEPOSITS	$9,488,828	$9,140,693	$348,135

classes of demand deposits show a substantial contraction during the first three quarters of the year — reflecting loan liquidation, tax payments, and the adverse balance of trade with other sections of the country — but increase rapidly during the final quarter in response to expanding loans to finance seasonal growth in trade and industry and the inflow of funds derived from the sale of farm commodities and other products moving into foreign and domestic trade. In 1955 the three-quarter contraction amounted to about 9 percent, but in the fourth quarter, there was a gain of 12 percent.

On the other hand, time deposits evidenced a steady growth throughout the year at about the same rate as in the preceding year. In 1955, more than two-thirds of the gain in time deposits was at reserve city banks, whereas in 1954 the gain was shared about equally by reserve city and country banks. The smaller relative gain at country banks in the more recent year may be associated in part with the decline in farm income, while the larger increase at reserve city banks partly reflected the rising personal incomes of the nonagricultural labor force.

Coincident with the national trend, Eleventh District member banks experienced a significant growth in their loan portfolios, reflecting primarily the heavy demands for credit growing out of the rapidly expanding economy. In 1955 the net expansion of $486,000,000 brought gross loans to $3,999,000,000 at the year end. This total represents a gain of 14 percent during the year and is only moderately larger than the 12-percent gain registered in 1954. However, there were marked differences between the 2 years in the composition of loan portfolios, as well as sizable variations in the gains between reserve city banks and country banks.

The principal exception to the general expansion was loans to farmers, including paper guaranteed by the Commodity Credit Corporation. The volume of CCC paper was affected by Treasury policy in providing the CCC's need for funds to finance the growing volume of commodities under Government loan; the rise in market rates of interest, which made the rate on certificates of interest less attractive; and the strong competition among borrowers for bank loans. As in 1954, holdings of CCC paper fluctuated widely during the year; however, at the year end, total holdings of $209,000,000 were

LOANS AND DISCOUNTS OF MEMBER BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Dec. 31, 1955	Dec. 31, 1954	CHANGE Dec. 31, 1955 over Dec. 31, 1954
Real-estate loans	$ 394,470	$ 322,284	$ 72,186
Loans to banks	1,123	1,682	—559
Loans for purchasing or carrying securities	165,356	161,017	4,339
Loans to farmers	434,360	509,046	—74,686
Commercial and industrial loans	2,051,440	1,676,269	375,171
Loans to individuals	798,821	759,636	39,185
All other loans	153,453	82,720	70,733
LOANS AND DISCOUNTS (GROSS)	$3,999,023	$3,512,654	$486,369

down nearly one-third from those a year earlier. At the end of 1954, the District member banks held a sizable volume of 1⅝-percent certificates of interest issued in November of that year, in addition to the large volume of certificates of interest acquired in connection with the farmers' action in placing commodities (principally cotton) under the Government loan.

During the early part of 1955, when the demand for reserves coincided with an upward trend in interest rates, the banks liquidated a large share of their CCC paper; and on August 1 the Treasury redeemed the outstanding 1⅝-percent certificates of interest. By the end of the third quarter, the total volume of CCC paper held by member banks had declined to about $75,000,000. In the fourth quarter, the banks' holdings of CCC certificates of interest rose $134,000,000, or only about 58 percent of the gain in the corresponding quarter of 1954. The country banks acquired a smaller volume of such paper, and the increase at reserve city banks was nominal. The smaller acquisition at a period when the supply of such paper was very large was due to the unattractive rate of interest relative to the rates available on other loans or investments, the slow liquidation of other loans to farmers, and the strong demand for loans from other sources at the higher rates.

Other loans to farmers, principally at country banks, rose steadily through the first three quarters of the year. The peak of loans was reached later in the year than usual because of the slow maturing and harvesting of crops in many sections of the District and the delays experienced in obtaining funds from commodities placed under the Government loan. Experience in collecting farm loans varied considerably over the District, reflecting largely the effect of agricultural developments. In some areas where better than average crops were harvested, collections were exceptionally good, and much paper charged off during preceding years of poor crops was liquidated. In other areas where crop production was adversely affected by weather conditions, the volume of carryover loans was larger than usual. While liquidations in the fourth quarter were larger than in the corresponding period of 1954, the year-end total of outstanding loans was nearly $20,000,000 larger than a year earlier. However, total loans to farmers, including CCC paper, were down about $75,000,000.

Real-estate loans showed a steady upward trend throughout the year at both reserve city banks and country banks, and the rate of increase was higher than in 1954. While all categories of real-estate loans increased, the largest percentage gains were in loans on residential properties, reflecting the exceptionally large volume of residential building during the year. The substantial increases in loans insured or guaranteed by the Federal Housing Administration and Veterans' Administration compare with the relatively small gains in such loans during 1954.

Other loans to individuals (largely consumer) increased at an accelerated rate during 1955, but apparently the credit extensions were on a selective basis. The increases in consumer loans occurred chiefly in holdings of retail automobile instalment loans and in cash instalment loans. These increases reflected the heavy demand for and sales of automobiles and other consumer durable goods, combined with the easing of terms on automobile paper. During the course of the year, as the pressure to sell automobiles was intensified, down payments were reduced largely through the overvaluation of trade-in allowances on used cars; moreover, the pay-out period was lengthened considerably. Hence, the reduction in monthly repayments on individual notes caused total repayments to fall further behind new extensions of credit.

Other retail instalment paper and repair and modernization loans remained at fairly stable levels throughout 1954 and 1955, as extensions of new loans were in about the same volume as the monthly repayments. Single-payment loans to individuals, which increased substantially and consistently during the first three quarters of 1955, decreased about $94,000,000, or 27 percent, in the fourth quarter; and the year-end total of $257,000,000 was $34,000,000 lower than a year earlier. Available information indicates that much of this decrease was occasioned by a reclassification of loans in this category at the end of the year, resulting in the transfer of a sizable volume of loans to the "all other" category. This factor also accounted for most of the reduction in the total of other loans to individuals (largely consumer) that occurred in the final quarter of the year.

In response to the credit requirements growing out of the business needs generated by a rapidly expanding economy, commercial and industrial loans showed a steady and substantial growth during the year, greatly exceeding the rate of growth that occurred in the preceding year. The increase was general among all types of businesses and occurred at both reserve city banks and country banks. Moreover, the seasonal reduction which ordinarily occurs in the first half of the year failed to materialize in 1955, as new loans were made in sufficient volume to more than offset the seasonal liquidation. For the year as a whole, the gain in dollar volume was larger than in any other category of loans and constituted nearly four-fifths of the increase in total loans.

While a detailed classification of commercial and industrial loans at all District banks is not compiled, the data obtained from the weekly reporting member banks — the loans of which constitute more than 60 percent of the District total — reveal some of the more important trends in loans to the various types of businesses. As firms expanded their activities in response to the stimulus afforded by a rising demand for

SELECTED COMMERCIAL AND INDUSTRIAL LOANS OF WEEKLY REPORTING MEMBER BANKS, 1955 AND 1954

Eleventh Federal Reserve District

(Last Wednesday of each month. In thousands of dollars)

Month	Manufacturers of petroleum and related products		Other manufacturers		Trade establishments		Construction firms		Sales finance companies	
	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954
January	$261,942	$253,488	$113,930	$120,451	$161,804	$150,906	$215,378	$150,753	$113,873	$ 99,684
February	266,291	256,412	112,304	117,053	164,611	151,880	224,304	150,436	114,902	90,489
March	270,452	256,128	120,381	119,628	174,525	158,437	215,200	155,225	119,576	97,624
April	268,866	246,827	119,787	110,756	180,550	160,922	222,694	161,622	121,717	101,945
May	266,905	244,865	123,168	106,412	181,553	163,390	223,488	168,769	127,244	99,669
June	263,829	250,438	123,790	107,655	184,506	164,151	242,492	172,730	131,757	107,336
July	263,770	243,696	126,154	109,434	191,789	158,399	251,310	175,323	137,366	106,999
August	271,218	248,083	125,373	110,578	195,457	160,519	240,815	183,197	138,048	107,928
September	276,229	250,047	122,396	115,934	199,720	165,748	249,499	181,758	140,547	108,257
October	275,096	249,844	135,649	119,283	209,327	170,092	253,429	183,213	137,296	104,341
November	274,193	254,241	131,864	118,932	210,796	169,855	255,107	188,270	138,008	106,158
December	273,802	261,130	125,525	115,734	201,652	164,531	257,911	208,775	154,155	117,322

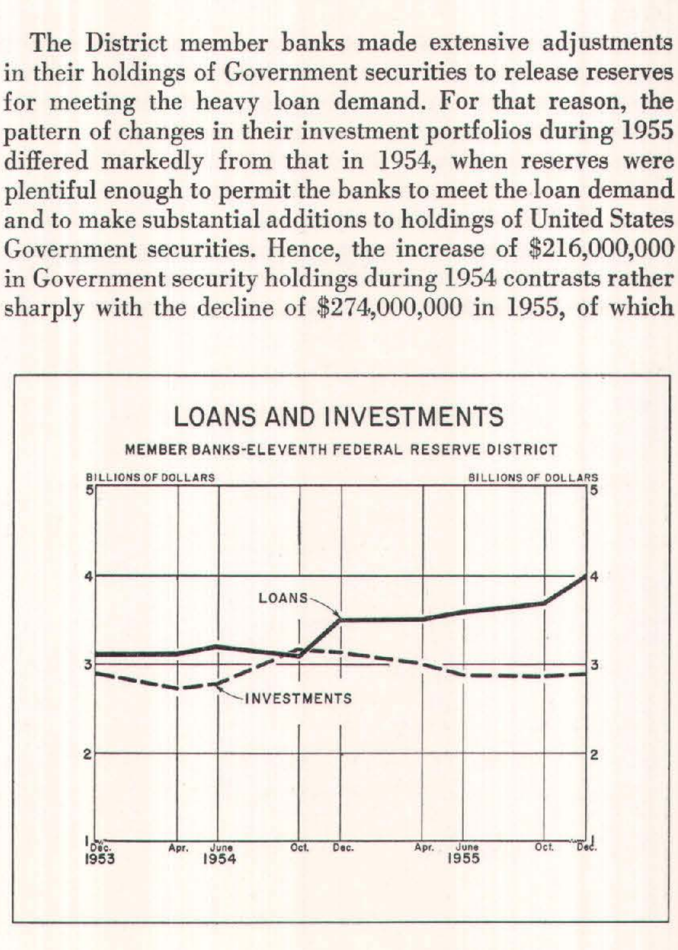
goods, they came to rely more heavily upon bank credit to assist in financing their operations. Within the partial list of commercial and industrial classifications in the accompanying table, trade establishments, construction firms, and sales finance companies increased their use of bank credit most rapidly.

The expanded loans to sales finance companies resulted largely from developments in the automobile industry and trends in automobile financing, as already indicated. Currently, automobile paper held by finance companies in the United States, as estimated by the Board of Governors of the Federal Reserve System, is nearly 90 percent of their outstanding credits and constitutes about 56 percent of all automobile instalment credit outstanding. As automobile financing needs grew and the cost of borrowing in the open market increased, sales finance companies turned to banks for additional funds. The year's increase in borrowings of sales finance companies from the District's weekly reporting member banks amounted to about 38 percent, bringing the total outstanding to $154,155,000 on December 28, 1955. This increase contrasts with a decline in the first half of 1954, when sales finance companies turned to borrowing in the open market and paid off a portion of their bank loans.

Loans to construction firms, largely for interim financing while buildings were being erected, also moved up sharply, coincident with the substantial rise in all types of construction work. The year-end total of loans to construction firms, which amounted to $258,000,000, was up about 23 percent from that at the end of 1954. Construction activity was a prominent feature of the expanding economic landscape during 1955, and construction firms generally resorted to bank funds to finance construction projects until a contract could be completed and accepted or the ultimate purchaser paid for the property. In this way, as well as through the financing of the ultimate purchasing, bank finance played an integral part in the larger volume of housing and other construction credit; in particular, the allocation of funds to builders played a significant role in the building industry.

Trade establishments (wholesale and retail) also shared in the rising tide of consumer expenditures, which served as the largest single activating agent in creating last year's record volume of economic activity. Inventories and receivables of trade establishments rose substantially during the year; since they are the principal assets requiring bank financing, these firms also increased their borrowings. Total loans to trade establishments at the end of 1955 amounted to $202,000,000, reflecting a 22-percent gain for the year.

The District member banks made extensive adjustments in their holdings of Government securities to release reserves for meeting the heavy loan demand. For that reason, the pattern of changes in their investment portfolios during 1955 differed markedly from that in 1954, when reserves were plentiful enough to permit the banks to meet the loan demand and to make substantial additions to holdings of United States Government securities. Hence, the increase of $216,000,000 in Government security holdings during 1954 contrasts rather sharply with the decline of $274,000,000 in 1955, of which

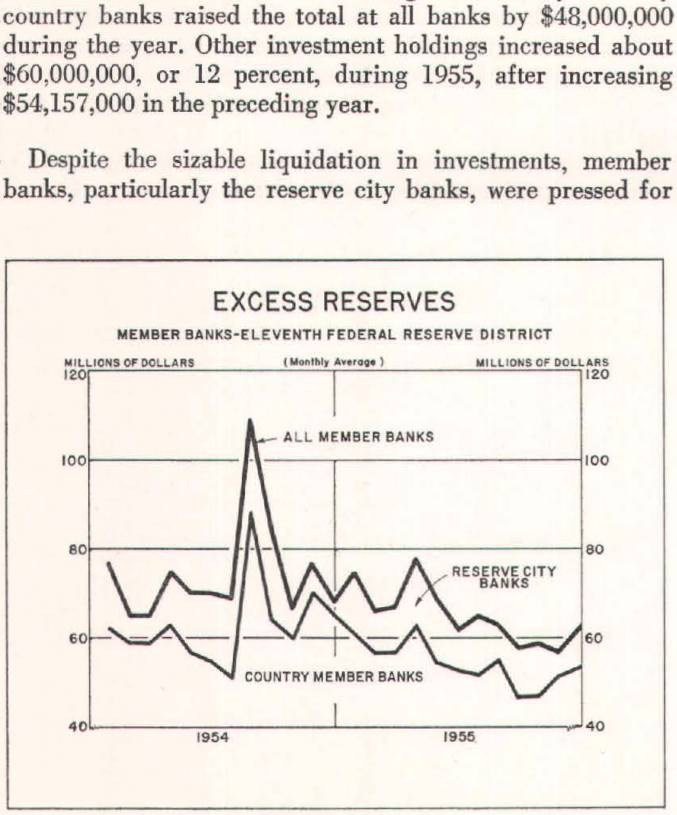


81 percent was at reserve city banks. Even more significant was the marked shift in the composition of the investment portfolios during the 2 years. One of the chief characteristics was the large changes in holdings of Government securities from quarter to quarter, which indicated frequent and substantial shifts in holdings among the various classes of securities.

In 1954, when member banks added $408,000,000 to holdings of Treasury bonds, the major net changes included a decline of $257,000,000 in bonds maturing in less than 5 years and increases of $602,000,000 in bonds maturing in 5 to 10 years and $67,000,000 in bonds maturing in 10 to 20 years. On the other hand, the decline of $60,000,000 in holdings of Treasury bonds in 1955 reflected an increase of $127,000,000 in bonds maturing in less than 5 years, which was more than offset by a reduction in bonds maturing in 5 to 10 years.

Holdings of Treasury bills also declined sharply in 1955, the net reduction for the year being $127,000,000. The decrease would have been somewhat larger except for moderate additions to holdings of Tax Anticipation bills toward the end of the year. Nearly two-thirds of the decline occurred at reserve city banks; the year-end holdings of bills by such banks constituted only 26 percent of the total. Holdings of certificates of indebtedness showed a further sharp decline in 1955, with the year-end total of $87,000,000 reflecting a decrease of about 60 percent at both reserve city banks and country banks. This decline was occasioned, in part, by the Treasury refunding of maturing obligations into Treasury notes and other securities, but reserve city banks also made a moderate reduction in their holdings of Treasury notes. However, the net increase in holdings of Treasury notes by country banks raised the total at all banks by $48,000,000 during the year. Other investment holdings increased about $60,000,000, or 12 percent, during 1955, after increasing $54,157,000 in the preceding year.

Despite the sizable liquidation in investments, member banks, particularly the reserve city banks, were pressed for



reserves to meet the heavy loan demand. In the early part of the year, when the drain on deposits coincided with the continued expansion in loans, the banks utilized some of their excess reserves, and an increased number of banks resorted to borrowing from the Federal Reserve bank. The size of such borrowings was somewhat larger than in the preceding year. Borrowings after July were especially heavy, as the banks were trying to meet the greater than seasonal demand for loans in the face of the tight reserve situation. In fact, reserve city banks had sizable amounts of average net borrowed reserves during each of the remaining months of the year. While only a small number of banks borrowed from the Federal Reserve bank at any one time, the number of borrowing banks and the average amount of borrowings increased as the year advanced and were much higher than in 1954.

It should be noted that country banks as a group maintained a relatively large volume of excess reserves throughout the year, the monthly average ranging from a high of $63,000,000 in April to a low of $47,000,000 in October. In fact, average excess reserves of country banks in this District were relatively high as compared with those in most other districts. Nevertheless, there were a few country banks which turned to the Federal Reserve bank for loans to meet reserve deficiencies.

The net increase in earning assets, which was weighted with high-yielding loans, and a rise in interest rates on principal classes of loans and investments combined to produce an increase of $31,880,000 in earnings from current operations compared with those in 1954. The principal gain of $24,053,000 was brought about by the rising volume of loans extended at higher interest rates. At the same time, the increase in current operating expenses absorbed about one-half of the net gain in earnings from current operations. Despite the large gain of more than $16,000,000 in net earnings from current operations, net profits for the year showed a decline of $3,000,000. In this connection, it should be pointed out that in 1954, when security prices were at a high level, member banks realized profits from the sale or redemption of securities in the amount of $16,587,000, and other recoveries brought total recoveries and profits to $26,432,000. This amount was nearly sufficient to offset total losses and charge-offs during the year, permitting the banks to carry over to net profits before taxes all of their net earnings from current operations.

In 1955, a different situation developed. Most issues of Treasury bonds were selling below par, and the downward trend in prices which began in the fall of 1954 was not reversed until August. Since most of the bonds which had been acquired in 1954 could be sold only at a loss, member banks generally retained most of their bonds and sought to obtain needed reserves, insofar as was possible, by disposing of short-term paper and securities. Moreover, miscellaneous recoveries were down substantially from those in 1954, so that total recoveries and profits of $8,990,000 in 1955 were only slightly more than one-third of those in the preceding year. At the same time, total losses and charge-offs of $29,136,000 were up $2,557,000 from the year before. Conse-

EARNINGS AND EXPENSES OF MEMBER BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	1955p	1954	NET CHANGE 1955 over 1954
Interest and dividends on securities	$ 65,625	$ 62,142	$ 3,483
Interest and discount on loans	179,581	155,528	24,053
Service charges on deposit accounts	12,875	11,961	914
All other earnings	30,537	27,107	3,430
TOTAL EARNINGS FROM CURRENT OPERATIONS	288,618	256,738	31,880
Salaries and wages	82,529	77,075	5,454
Taxes other than net income	15,242	14,097	1,145
All other expenses	76,046	67,117	8,929
TOTAL CURRENT OPERATING EXPENSES	173,817	158,289	15,528
NET EARNINGS FROM CURRENT OPERATIONS	114,801	98,449	16,352
Total recoveries, transfers from valuation reserves, and profits	8,990	26,432	−17,442
Total losses and charge-offs and transfers to valuation reserves	29,136	26,579	2,557
Profits before income taxes	94,655	98,302	−3,647
Taxes on net income	39,390	40,038	−648
NET PROFITS	55,265	58,264	−2,999
Cash dividends declared[1]	26,707	22,973	3,734

p—Preliminary.
[1] Includes interest on capital notes and debentures.

quently, net deductions of $20,146,000 from net earnings from current operations reduced profits before income taxes to $94,655,000, or $3,647,000 below those in 1954.

Experiences of reserve city and country banks showed some significant differences in operating results in 1955 compared with 1954. At reserve city banks, where the reduction in security holdings was more pronounced and occurred in those categories in which the rise in yields was larger, the increase in interest and dividends received from securities was relatively small, being only one-third of that registered at country banks. On the other hand, about 57 percent of the increase in earnings derived from interest and discounts on loans occurred at reserve city banks. This gain reflected the greater percentage increase in loans at reserve city banks, where the increase occurred chiefly in those categories where the higher rates were most quickly applied to customer paper.

The increase in expenses at country banks in 1955 was larger than that at reserve city banks, primarily because of the much larger increase in salaries and wages. The decline in recoveries and profits at country banks was much smaller than that at reserve city banks, while the increase in losses and charge-offs was somewhat larger. After adjusting for income taxes, net profits in 1955 as compared with 1954 showed a decline of $1,675,000 at reserve city banks and of $1,324,000 at country banks.

Dividends declared by member banks in 1955 amounted to $26,707,000, which exceeded the total for the preceding year by $3,734,000. The higher dividends coincident with the lower net profits reduced the amount of net profits carried over to capital accounts to $28,558,000, representing a decline of $6,733,000 from the 1954 record total of $35,291,000. Nevertheless, total capital accounts rose $75,000,000 to a new peak of $681,000,000. The sale of new stock, which also was in record-breaking volume in 1955, was a widespread development among member banks in the District. This development was a reflection of the desire on the part of many banks to maintain the growth in capital accounts in line with the growth in deposits and to be in a better position to serve the needs of customers. With the rapid growth of the southwestern economy and the increasing size of the business unit, the size of the line of credit needed by business concerns has tended to expand.

In summary, it may be stated that banking developments in 1955 were characterized by a slower rate of growth in principal asset and liability items than in 1954; a substantial expansion in loans, both actually and in relation to deposits; a sharp decline in investments; a substantial increase in earnings from current operations but a moderate decline in net profits; and a record increase in capital accounts. As monetary and credit policy shifted from the maintenance of ease in the money market to the restraint of inflationary developments, increasing pressure was placed upon the reserve positions of member banks. As a means of obtaining reserves to expand their loans, member banks liquidated a portion of their holdings of securities, particularly the short-term issues, and resorted to heavier and more sustained borrowing from the Federal Reserve bank. In the process, there was a decline in the liquidity of the banking system, as indicated by a rise in the ratio of loans to deposits and a decline in holdings of short-term investments. With these features highlighting the year, Eleventh District member banks, along with those in other sections of the country, experienced the gains — as well as the pressures — of banking in prosperity.

REVIEW OF BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS

DISTRICT SUMMARY

Retail sales at department stores in the Eleventh District in January continued above those of a year earlier, although unfavorable weather curtailed buying during the month. Consumer durable goods generally showed a better sales record than soft goods. End-of-month department store inventories in January were 17 percent above those on the same date last year; merchandise on order was up 3 percent. Sales at District furniture stores were 4 percent higher than a year ago.

Moisture conditions in the eastern third of the District, except in parts of south Texas, are ample for planting and sprouting of spring crops. Agricultural prospects are improved as a result of precipitation during the past month, but more rain is needed. The number of all cattle and calves on farms and ranches in the District states as of January 1, 1956, was larger than a year earlier.

Declining stocks, except for gasoline, and the high level of demand continued to stimulate oil activity throughout the Nation. District crude oil production increased slightly, and refining activity made a substantial gain in early February. Moreover, the March oil allowables for Texas show only a negligible decline from the February level. Consequently, with an allowance for new wells, production in March is likely to advance further.

Total nonagricultural employment in the District states during January, at 3,970,100, reflected only a normal seasonal decline and was at a record level for the month. Manufacturing employment decreased to 746,600, mainly as a result of the continued seasonal decline in food-processing activity.

The value of construction contracts awarded in the District during January was up 23 percent from the previous month. Residential construction accounted for most of the increase, with a gain of nearly 34 percent, while "all other" awards were up 16 percent.

Total loans of the District's weekly reporting member banks declined seasonally in the 4 weeks ended February 15, led by a 2.2-percent reduction in commercial, industrial, and agricultural loans. Total investments decreased $16,275,000, with the principal decrease in holdings of Treasury bills.

TRADE

Consumer buying in the Eleventh Federal Reserve District during January and the first half of February continued slightly above a year earlier, although sleet and snow over many parts of the area sharply curtailed buying for several days. The dollar volume of sales at department stores in January was down seasonally from the heavy sales of December but was 2 percent larger than in the corresponding month last year.

The adjusted index of department store sales during January amounted to 144 percent of the 1947-49 average, or slightly below the level in December, and compares with 141 in January 1955.

Sales of homefurnishings during January continued to make a better showing than the sales of soft goods items. The major household appliance department made the most outstanding showing, with sales 24 percent above those of a year earlier, while sales of domestic floor coverings and furniture and bedding were up 9 percent and 1 percent, respectively. However, sales of television sets continued to decline for the fourth consecutive month and in January were down 31 percent from a year ago.

In the soft goods departments, sales of small wares led in percentage gains, with an increase of 5 percent from January 1955. Sales of women's and misses' ready-to-wear accessories were up 3 percent. On the other hand, sales of men's and boys' wear continued to show weakness and were down 5 percent from a year ago.

RETAIL TRADE STATISTICS

(Percentage change)

Line of trade by area	NET SALES Jan. 1956 from		STOCKS[1] Jan. 1956 from	
	Jan. 1955	Dec. 1955	Jan. 1955	Dec. 1955
DEPARTMENT STORES				
Total Eleventh District	2	—56	17	0
Corpus Christi	n.a.	n.a.	n.a.	n.a.
Dallas	—2	—56	21	—3
El Paso	1	—57	10	—3
Fort Worth	0	—61	17	5
Houston	6	—54	17	0
San Antonio	—2	—49	6	—5
Shreveport, La.	6	—55	15	1
Waco	9	—59	23	—2
Other cities	3	—59	18	9
FURNITURE STORES				
Total Eleventh District	4	—39	8	0
Amarillo	19	—3	18	0
Austin	—6	—42	17	2
Dallas	—18	—40	—3	—1
Houston	4	—52	6	5
Lubbock	—12	18	—	—
San Antonio	0	—43	7	1
Shreveport, La.	22	—32	10	—5
Wichita Falls	—12	—6	—	—
Other cities	16	—35	6	3
HOUSEHOLD APPLIANCE STORES				
Total Eleventh District	22	—29	—	—
Dallas	32	—29	—	—

[1] Stocks at end of month.
n.a.—Not available.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1947-49 = 100)

Area	UNADJUSTED				ADJUSTED[1]			
	Jan. 1956	Dec. 1955	Nov. 1955	Jan. 1955	Jan. 1956	Dec. 1955	Nov. 1955	Jan. 1955
SALES—Daily average								
Eleventh District	114	246r	155	111r	144	146r	136	141r
Dallas	109	236	152	111r	136	139	132	138
Houston	129	268	175	122	163	158	154	154
STOCKS—End of month								
Eleventh District	142p	142	165	122r	160p	158	149	137r

[1] Adjusted for seasonal variation.
r—Revised.
p—Preliminary.

Instalment accounts outstanding at District department stores decreased 1 percent during January, which is somewhat less than other January decreases of recent years. Compared with a year ago, month-end balances outstanding were up 15 percent. Instalment account collections in January amounted to 13 percent of first-of-month balances, the same as in both December and January 1955. Charge accounts outstanding at the end of January were 20 percent lower than in the preceding month but were 4 percent above a year ago. Collections during the month amounted to 45 percent of first-of-month balances, or 2 percentage points below December collections.

During January, department store inventories in the District remained virtually unchanged from the record year-end high of 1955 but at the end of the month were 17 percent higher than a year earlier. On January 31, orders outstanding were at a level 3 percent above the corresponding date in 1955 and were up 15 percent from the end of December.

Sales at District furniture stores in January, although down seasonally from December, were 4 percent over the year-earlier level. After a moderate increase in December, accounts receivable showed a small decline during January and at the end of the month were 13 percent higher than on the comparable date last year. Collections during January were 4 percent larger than during December and were approximately 11 percent above those in January 1955. For the eleventh consecutive month, furniture stores reported that end-of-month inventories were higher than a year earlier; stocks in January were 8 percent more than in the same month a year ago.

New car registrations in the Dallas, Fort Worth, Houston, and San Antonio metropolitan areas in January, although slightly above those of a year earlier, were lower than in any other month since February 1955. Compared with December, new car registrations in these four areas during January were down 20 percent.

AGRICULTURE

Following the moisture received in late January, additional snow and rain during February substantially improved agricultural prospects in a major portion of the District. Precipitation falling east of a line between Fort Worth and Austin, Texas, and southeastward to the Gulf Coast provided ample moisture for planting and sprouting of spring crops. Most counties in south Texas and in the southern Edwards Plateau area received little moisture, and rains are urgently needed.

Crop prospects in the High Plains areas of Texas and New Mexico — particularly south of the Canadian River — are improved as a result of light to heavy snows. However, moisture is needed north of the Canadian River, where the snowfall tapered off and drifted badly. Heavy snows were received in the Low Rolling Plains, but more precipitation is needed to replenish subsurface moisture supplies.

As a result of the cold, damp weather, farm work in the District during the major part of February was limited primarily to caring for livestock and to activities in winter commercial vegetable areas, where soils were dry enough to cultivate. A substantial acreage of watermelons and cantaloupes has been planted in south Texas, and the onion crop is making satisfactory development.

Prospects for late-winter and early spring grazing brightened as a result of the moisture. Pastures and small grains are providing feed in the eastern portion of the District, and wheat fields may provide late grazing in areas south of the Canadian River. Drought-stricken ranges in Arizona, New Mexico, and western Texas benefited from the precipitation, but forage remains poor in south Texas and the Edwards Plateau. Despite an increase in supplemental feeding during the first part of February, some shrinkage of livestock occurred. In the northwestern parts of the District, death losses as a result of the blizzard were light and were confined mostly to newborn calves.

The United States Department of Agriculture indicates, as of February 1, that the 1956 Texas production of cauliflower, lettuce, and cabbage will be 25 percent, 32 percent, and 16 percent, respectively, above the 1955 output. The carrot crop is forecast at 3 percent below that in 1955, and estimated broccoli production is 8 percent smaller.

LIVESTOCK ON FARMS AND RANCHES, JANUARY 1

Texas, Five Southwestern States, and United States

(In thousands)

	Texas		Five southwestern states[1]		United States	
	1956p	1955	1956p	1955	1956p	1955
Cattle	8,586	8,501	15,987	15,829	97,465	96,592
Milk cattle	1,248	1,292	2,575	2,687	34,877	35,361
Beef cattle	7,338	7,209	13,412	13,142	62,588	61,231
Sheep	5,208	5,659	7,287	7,758	31,109	31,582
Stock sheep	4,979	5,354	6,873	7,265	27,009	27,137
Feeders	229	305	414	493	4,100	4,445
Hogs	1,100	982	2,107	1,809	55,088	50,474
Goats	2,775	2,546	n.a.	n.a.	n.a.	n.a.
Horses and mules	298	314	657	707	3,962	4,309
Total above species	17,967	18,002	26,038	26,103	187,624	182,957
Chickens[2]	15,335	16,288	25,843	27,134	382,218	390,708
Turkeys	375	375	510	499	4,892	4,917

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
[2] Does not include commercial broilers.
p—Preliminary.
n.a.—Not available.
SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS

(Number)

Class	FORT WORTH MARKET			SAN ANTONIO MARKET		
	January 1956	January 1955	December 1955	January 1956	January 1955	December 1955
Cattle	53,096	58,899	47,150	27,677	29,682	17,135
Calves	15,290	18,235	13,251	14,553	20,636	13,409
Hogs	87,551	67,952	83,466	3,335	2,595	2,953
Sheep	74,243	68,203	36,725	[1]12,067	[1]20,730	[1]8,401

[1] Includes goats.

The number of all cattle and calves on farms and ranches in the United States increased 873,000 during 1955 to a total of 97,465,000 on January 1, 1956, according to the Department of Agriculture. The number of milk cows declined 1 percent and was the second lowest January 1 inventory since 1930; however, beef cow numbers increased to a new high of 25,758,000. The numbers of sheep, horses and mules, chickens, and turkeys were below those a year earlier, but hog numbers were 9 percent larger.

The inventory of all cattle and calves in the District states on January 1, 1956, totaled 15,987,000, or 1 percent more than a year earlier. The number of milk cattle declined 4 percent during 1955 but was more than offset by an increase in beef cattle. During 1955, numbers of cattle and calves increased in all states of the District except Oklahoma. Stock sheep on January 1, continuing the downward trend of the past few years, were placed at 6,873,000, or 5 percent fewer than a year earlier. Hog numbers were 16 percent larger, and turkeys increased 2 percent. Declines were noted in the numbers of horses and mules and farm chickens (excluding broilers).

In the referendum held January 27, growers in the District states approved marketing quotas for the 1956 rice crop. According to preliminary reports, 85 percent of the 5,975 rice farmers voting approved the quotas.

The index of prices received by Texas farmers on January 15 was 246 percent of the 1910-14 average, or 1 point below that at mid-December. The all-crops index was 6 points below a month earlier; however, most of this decline was offset by higher prices for livestock products. In the Nation the index of prices received by farmers at mid-January was 3 points higher than a month earlier as a result of higher prices for meat animals and vegetables.

CASH RECEIPTS FROM FARM MARKETINGS

Five Southwestern States

(In thousands of dollars)

Area	November		January—November	
	1955	1954	1955	1954
Arizona	$ 49,683	$ 64,656	$ 262,427	$ 313,259
Louisiana	53,667	49,333	301,656	321,692
New Mexico	30,631	37,651	148,610	165,826
Oklahoma	70,028	56,235	445,042	514,150
Texas	349,322	297,111	1,687,760	1,677,334
Total	$553,331	$504,986	$2,845,495	$2,992,261

SOURCE: United States Department of Agriculture.

FARM COMMODITY PRICES

Top Prices Paid in Local Southwest Markets

Commodity and market	Unit	Week ended Feb. 21, 1956	Comparable week, previous month	Comparable week, previous year
COTTON, Middling 15/16-inch, Dallas	lb.	$ .3550	$ .3395	$ .3370
WHEAT, No. 1 hard, Fort Worth	bu.	2.51½	2.47	2.74
OATS, No. 2 white, Fort Worth	bu.	.86¾	.87	1.00
CORN, No. 2 yellow, Fort Worth	bu.	1.64½	1.60½	1.80½
SORGHUMS, No. 2 yellow, Fort Worth	cwt.	2.25	2.21	2.71
HOGS, Choice, Fort Worth	cwt.	12.50	12.50	17.75
SLAUGHTER STEERS, Choice, Fort Worth	cwt.	19.00	20.50	26.00
SLAUGHTER CALVES, Choice, Fort Worth	cwt.	19.50	19.50	22.00
STOCKER STEERS, Choice, Fort Worth	cwt.	19.00	19.00	23.00
BROILERS, south Texas	lb.	.22	.21	.26

Cash receipts from farm marketings in the District states totaled $2,845,495,000 during the January-November period in 1955, or 5 percent below those during the same period in 1954. Receipts from livestock were 3 percent below those in the first 11 months of 1954, while those from crops were 7 percent smaller.

Eleventh District weekly reporting member banks reduced their gross loans $30,431,000, or 1.2 percent, in the 4 weeks ended February 15; during the comparable period in 1955, loans showed a contraseasonal rise of $19,736,000. The $35,154,000 decline in commercial, industrial, and agricultural loans was larger than the total reduction in loan accounts, as the remainder of the classifications, on balance, showed an increase. Interbank loans, consumer credits, and securities loans (other than to brokers) showed a net gain of $13,677,000, which was partly offset by the net repayments of real-estate and brokers' loans.

As all of the Treasury securities accounts decreased in the 4 weeks, total investments declined $16,275,000. The principal change was recorded in Treasury bill holdings, which decreased $12,444,000 to a level of $58,018,000 on February 15. In the corresponding weeks of 1955, holdings of Treasury bills diminished $63,098,000 to $60,400,000, or about the same level as on February 15, 1956. Holdings of certificates of indebtedness declined $6,093,000 in the 4 weeks and totaled $40,004,000 on February 15, compared with $31,615,000 on the corresponding date in 1955. The weekly reporting member banks reduced their portfolios of Treasury notes and bonds fractionally during the month but substantially more from the same time last year. Other securities advanced moderately during the 4 weeks but showed a modest $5,284,000 decrease from a year earlier.

The $46,706,000 decline in earning assets in the 4 weeks represented a seasonal change. In 1955, notwithstanding an unseasonal increase in loans induced by the upward-moving economy, total loans and investments declined $35,111,000, as the banks reduced their investments more heavily.

The weekly reporting banks drew down their cash accounts, principally correspondent balances and balances at the Federal Reserve. Total assets of the banks declined $97,267,000

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Jan. 25, 1956	Jan. 26, 1955	Dec. 28, 1955
ASSETS			
Loans and discounts	$3,930	$3,494	$3,929
United States Government obligations	2,357	2,553	2,400
Other securities	567	539	568
Reserves with Federal Reserve Bank	963	1,019	945
Cash in vault[e]	141	135	164
Balances with banks in the United States	1,003	1,077	1,107
Balances with banks in foreign countries[e]	3	3	2
Cash items in process of collection	446	348	420
Other assets[e]	198	187	196
TOTAL ASSETS[e]	9,608	9,355	9,731
LIABILITIES AND CAPITAL			
Demand deposits of banks	1,052	1,093	1,123
Other demand deposits	6,424	6,369	6,485
Time deposits	1,317	1,161	1,324
Total deposits	8,793	8,623	8,932
Borrowings[e]	48	26	12
Other liabilities[e]	80	89	81
Total capital accounts[e]	687	617	706
TOTAL LIABILITIES AND CAPITAL[e]	9,608	9,355	9,731

e—Estimated.

in the 4 weeks but showed at $123,188,000 gain from mid-February 1955.

The $98,372,000 decline in total deposits was about the same as the decrease in all asset accounts in the 4 weeks ended February 15. In the same weeks last year, deposits declined $96,681,000. Demand deposit accounts were down $109,041,000, and time accounts rose $10,669,000. In the demand deposit accounts, the principal decreases were recorded in the balances of individuals and businesses (down $56,431,000) and the accounts of other banks (down $85,-647,000). The United States Government built up its demand balances by $29,054,000 and local governments added $5,753,000, while minor changes were indicated in the other classifications.

Daily average gross demand deposits of member banks totaled $7,592,370,000 in January, representing a monthly gain of about $50,000,000 but a nominal year-to-year decline. Country banks, whose average gross demand deposits were $3,923,584,000, had a larger increase over December than reserve city banks; on a January-to-January basis, country banks showed a slight deposit increase, whereas reserve city banks showed a modest $11,022,000 decline.

Debits to demand deposits in January at reporting banks in various District centers were less than in December but were larger than those in January 1955. The largest monthly percentage declines were recorded at Abilene and Wichita Falls. Banks in Monroe, Louisiana, where debits advanced 10 percent from December, reported both the largest monthly gain and the greatest increase from a year earlier. The annual rate of deposit turnover at the reporting banks was 20.6, compared with 20.9 in December and 19.1 in January 1955.

Reserve balances of District banks declined $41,646,000 in the 4 weeks ended February 15. Local Federal Reserve credit — member bank discounts and float — was down $17,693,000. Interdistrict money transfers, the largest single item affecting reserve balances, resulted in a net outflow of $81,450,000. The effect of the return flow of currency was to increase balances $13,466,000, while other deposits and accounts changed slightly. Aggregate reserve balances a year ago equaled $979,914,000 — or about $42,000,000 more than on February 15 — an indication of the heightened pressures

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Feb. 15, 1956	Feb. 16, 1955	Jan. 18, 1956
ASSETS			
Commercial, industrial, and agricultural loans	$1,533,499	$1,442,766	$1,568,653
Commercial and industrial loans[1]	1,486,171	—	1,510,661
Agricultural loans[1]	47,328	—	57,992
Loans to brokers and dealers in securities	20,379	16,300	21,922
Other loans for purchasing or carrying securities	128,025	104,880	127,340
Real-estate loans	207,546	173,229	214,957
Loans to banks	21,075	23,205	13,465
All other loans	554,050	441,715	548,668
Gross loans	2,464,574	2,202,095	2,495,005
Less reserves and unallocated charge-offs	30,896	22,490	30,525
Net loans	2,433,678	2,179,605	2,464,480
U. S. Treasury bills	58,018	60,400	70,462
U. S. Treasury certificates of indebtedness	40,004	71,619	46,097
U. S. Treasury notes	238,119	283,434	238,837
U. S. Government bonds (inc. gtd. obligations)	814,842	874,393	815,176
Other securities	242,773	248,057	239,459
Total investments	1,393,756	1,537,903	1,410,031
Cash items in process of collection	426,819	362,970	403,227
Balances with banks in the United States	425,161	446,251	483,535
Balances with banks in foreign countries	1,444	1,576	1,527
Currency and coin	45,164	43,196	45,901
Reserves with Federal Reserve Bank	537,245	574,427	554,444
Other assets	141,624	135,775	139,013
TOTAL ASSETS	5,404,891	5,281,703	5,502,158
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations	2,856,919	2,818,139	2,913,350
United States Government	57,219	93,490	28,165
States and political subdivisions	186,898	176,220	181,145
Banks in the United States	854,299	903,384	939,946
Banks in foreign countries	16,932	15,666	15,974
Certified and officers' checks, etc.	59,220	77,190	61,948
Total demand deposits	4,031,487	4,084,089	4,140,528
Time deposits			
Individuals, partnerships, and corporations	714,377	635,229	711,837
United States Government	12,079	13,362	12,079
Postal savings	452	452	452
States and political subdivisions	138,801	94,934	130,662
Banks in the U. S. and foreign countries	1,955	1,113	1,965
Total time deposits	867,664	745,090	856,995
Total deposits	4,899,151	4,829,179	4,997,523
Bills payable, rediscounts, etc.	31,500	12,700	42,500
All other liabilities	64,333	77,304	58,738
Total capital accounts	409,907	362,520	403,397
TOTAL LIABILITIES AND CAPITAL	5,404,891	5,281,703	5,502,158

[1] Prior to January 4, 1956, agricultural loans were not reported separately. Comparable year-earlier figures will be shown as they become available.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

	COMBINED TOTAL		RESERVE CITY BANKS		COUNTRY BANKS	
Date	Gross demand	Time	Gross demand	Time	Gross demand	Time
Jan. 1954	$7,232,657	$ 993,495	$3,517,349	$561,053	$3,715,308	$432,442
Jan. 1955	7,594,952	1,155,178	3,679,808	644,814	3,915,144	510,364
Sept. 1955	7,195,579	1,271,089	3,517,182	748,666	3,678,397	522,423
Oct. 1955	7,304,808	1,260,749	3,589,745	736,233	3,715,063	524,516
Nov. 1955	7,409,551	1,275,205	3,586,763	747,023	3,822,788	528,182
Dec. 1955	7,541,113	1,309,060	3,656,903	764,200	3,884,210	544,860
Jan. 1956	7,592,370	1,320,779	3,668,786	763,407	3,923,584	557,372

BANK DEBITS, END-OF-MONTH DEPOSITS AND ANNUAL RATE OF TURNOVER OF DEPOSITS

(Amounts in thousands of dollars)

	DEBITS[1]			DEPOSITS[2]			
		Percentage change from			Annual rate of turnover		
Area	January 1956	Jan. 1955	Dec. 1955	Jan. 31, 1956	Jan. 1956	Jan. 1955	Dec. 1955
ARIZONA							
Tucson	$ 166,908	26	3	$ 102,322	19.1	17.3	18.8
LOUISIANA							
Monroe	71,709	29	10	50,227	16.3	14.6	15.1
Shreveport	274,044	16	0	195,091	16.9	15.2	17.3
NEW MEXICO							
Roswell	30,818	9	—1	28,391	13.1	10.9	13.3
TEXAS							
Abilene	76,102	19	—17	59,343	15.2	12.7	16.9
Amarillo	161,416	8	—6	109,556	17.5	16.0	18.8
Austin	150,155	7	2	114,547	15.4	14.4	15.0
Beaumont	142,463	20	7	112,086	15.1	13.8	14.5
Corpus Christi	176,825	—2	2	108,037	19.8	19.0	19.2
Corsicana	16,693	4	—5	22,020	9.1	8.5	9.6
Dallas	2,336,600	7	2	985,839	27.0	26.0	26.4
El Paso	245,337	5	—8	132,278	22.0	20.8	24.0
Fort Worth	709,169	17	—1	366,283	23.3	20.6	23.3
Galveston	83,156	2	—2	67,673	14.3	14.3	14.2
Houston	2,208,793	21	—1	1,218,274	21.1	18.4	21.6
Laredo	21,877	5	—2	19,505	13.6	13.0	13.9
Lubbock	160,141	—10	—6	102,062	18.7	19.1	20.8
Port Arthur	56,939	12	—2	45,737	15.5	15.0	15.6
San Angelo	45,111	7	—6	46,710	11.6	10.8	12.5
San Antonio	496,837	10	—1	346,154	17.2	16.1	17.3
Texarkana[3]	19,492	8	—5	17,925	12.8	12.1	13.6
Tyler	79,538	17	—9	58,894	16.0	13.8	17.8
Waco	90,927	2	—2	69,345	15.6	15.1	16.1
Wichita Falls	98,976	2	—14	107,840	10.8	10.8	12.7
Total—24 cities	$7,920,026	12	—1	$4,486,139	20.6	19.1	20.9

[1] Debits to demand deposit accounts of individuals, partnerships, and corporations and of states and political subdivisions.
[2] Demand deposit accounts of individuals, partnerships, and corporations and of states and political subdivisions.
[3] These figures include only one bank in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including two banks located in the Eighth District, amounted to $40,369,000 for the month of January 1956.

on reserve balances which have developed during the past year.

The Federal Reserve Bank of Dallas owned total earning assets of $959,370,000 on February 15, reflecting a $28,335,-000 decline in the 4-week period. Member bank borrowings were reduced $15,000,000, while holdings of United States Government securities declined $13,974,000. Currency in circulation declined to $687,535,000 and on February 15 was about $34,000,000 below last year's total. Total gold certificates, this bank's legal reserve, rose about $5,000,000 in the 4 weeks but declined $82,913,000 from the corresponding date in 1955.

CHANGES IN FACTORS AFFECTING MEMBER BANK RESERVE BALANCES

Eleventh Federal Reserve District

(In thousands of dollars)

		CHANGE[1]	
		4 weeks ended Feb. 15, 1956	Dec. 28, 1955— Feb. 15, 1956
FACTORS			
Federal Reserve credit—local		—$17,693	+$ 16,717
Interdistrict commercial and financial transactions		— 81,450	— 228,283
Treasury operations		+ 44,195	+ 146,283
Currency transactions		+ 13,466	+ 53,984
Other deposits at Federal Reserve Bank		— 343	— 142
Other Federal Reserve accounts		+ 179	+ 2,502
RESERVE BALANCES		—$41,646	—$ 8,939
January 18, 1956	$979,767		
February 15, 1956	$938,121		

[1] Sign of change indicates effect on reserve balances.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Feb. 15, 1956	Feb. 16, 1955	Jan. 18, 1956
Total gold certificate reserves	$710,678	$ 793,591	$705,612
Discounts for member banks	22,750	7,900	37,750
Other discounts and advances	510	5,640	51
U. S. Government securities	936,110	932,525	949,904
Total earning assets	959,370	946,065	987,705
Member bank reserve deposits	938,121	1,043,044	979,767
Federal Reserve notes in actual circulation	687,535	721,224	703,405

NEW MEMBER BANK

The First National Bank of Dumas, Dumas, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business January 30, 1956, as a member of the Federal Reserve System. The new bank has capital of $150,000, surplus of $100,000, and undivided profits of $50,000. The officers are: James M. Crabb, Chairman of the Board; P. F. Younger, Vice Chairman of the Board; Jack C. Elliott, President; F. C. Harlow, Vice President; James W. Witherspoon, Vice President; and James D. Matthews, Cashier.

NEW PAR BANKS

The First State Bank, Groves, Texas, an insured, nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, February 3, 1956. The officers are: J. T. Hitt, President; Jimmie Lee, Executive Vice President; and Joe C. Terry, Cashier.

The Parker Square State Bank, Wichita Falls, Texas, an insured, nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, February 4, 1956. The officers are: C. B. Johnson, President, and Charles B. Johnson, Cashier.

OIL and GAS

Activity in the Nation's oil industry continued at record levels in January and early February. Stimulated by very strong demand for distillate fuel oils, production and refining activity remained close to the December and early January highs. In the District, crude oil production in early February averaged 3,376,000 barrels per day, or slightly above both January this year and February 1955. It is likely that District crude oil production will increase further. March oil allowables for Texas were reduced only 16,838 barrels per day to a total of 3,366,238 barrels, with the allowable for new wells expected to increase the total above the February figure. Crude oil production in the Nation in early February averaged 7,081,000 barrels per day, or slightly above January and 4 percent above February 1955.

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	January 1956[1]	January 1955[2]	December 1955[1]	Change from January 1955	Change from December 1955
ELEVENTH DISTRICT	3,289.8	3,331.8	3,280.3	−42.0	9.5
Texas	2,943.8	2,998.5	2,936.7	−54.7	7.1
Gulf Coast	616.3	635.9	601.9	−19.6	14.4
West Texas	1,188.0	1,179.4	1,172.0	8.6	16.0
East Texas (proper)	223.5	237.2	223.3	−13.7	.2
Panhandle	92.2	87.1	90.3	5.1	1.9
Rest of State	823.8	858.9	849.2	−35.1	−25.4
Southeastern New Mexico	228.3	216.3	227.0	12.0	1.3
Northern Louisiana	117.7	117.0	116.6	.7	1.1
OUTSIDE ELEVENTH DISTRICT	3,727.8	3,429.5	3,675.4	298.3	52.4
UNITED STATES	7,027.6	6,761.3	6,955.7	266.3	71.9

SOURCES: [1] Estimated from American Petroleum Institute weekly reports.
[2] United States Bureau of Mines.

Refining activity in the District showed a substantial increase during early February, with crude runs averaging 2,394,000 barrels per day — or 5 percent above the January level and 6 percent above the level in February 1955. In the Nation, crude runs to refinery stills averaged 8,014,000 barrels per day in early February, almost unchanged from January but 6 percent above the year-earlier total.

This rising level of refinery activity has caused a steady increase in gasoline stocks, which on February 17 were 7 percent above the high level of a year ago. Distillate fuel oil stocks were also moderately above the year-earlier total but have been declining in recent months. On the other hand, kerosene stocks were down moderately from a year ago, while residual fuel oil stocks were substantially below the comparable date of 1955. Moreover, stocks of these two products have been declining in recent weeks. Stocks of the four major refined products on February 17 totaled 325,022,000 barrels, or 3 percent above the comparable year-earlier total.

Crude oil stocks on February 11, at 253,484,000 barrels, were 3 percent below those on February 12, 1955, and have been declining recently. In fact, some industry sources consider crude stocks to be below the desirable working level.

For the 5 weeks ended February 17, the demand for the four refined products reached 7,696,000 barrels per day, or 1 percent above the year-earlier total but 7 percent below the level in the preceding 5 weeks. A month-to-month decline occurred in the demand for each of the products. The year-to-year increase was largely a result of the gain in gasoline demand.

Imports in the 5 weeks ended February 17 averaged 1,378,000 barrels per day, up 5 percent from both the comparable year-earlier period and the previous 5 weeks. A decrease in refined products imports accounted for the month-to-month decline, while the year-to-year increase stemmed primarily from larger imports of crude oil.

Total nonagricultural employment in the five states lying wholly or partly within the District declined seasonally to 3,970,100 in January — 113,800 below December but 154,000 more than in January 1955 and a record high for the month. Most of the month-to-month decline was a result of seasonal employment decreases in trade and government. Construction employment also declined but remained well above the level of a year ago. A recent gain in construction contract awards for residential building and the potential growth of commercial and industrial construction indicate new strength in this employment sector.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States[1]

Type of employment	Number of persons: January 1956e	Number of persons: January 1955r	Number of persons: December 1955	Percent change Jan. 1956 from Jan. 1955	Percent change Jan. 1956 from Dec. 1955
Total nonagricultural wage and salary workers	3,970,100	3,816,100	4,083,900	4.0	−2.8
Manufacturing	746,600	703,100	752,800	6.2	−.8
Nonmanufacturing	3,223,500	3,113,000	3,331,100	3.5	−3.2
Mining	245,800	235,000	246,900	4.6	−.5
Construction	262,100	246,800	266,200	6.2	−1.6
Transportation and public utilities	394,600	387,200	402,200	1.9	−1.9
Trade	1,021,400	986,600	1,087,800	3.5	−6.1
Finance	167,400	160,300	168,100	4.4	−.4
Service	460,400	447,600	464,700	2.9	−.9
Government	671,800	649,500	695,200	3.4	−3.4

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
e—Estimated.
r—Revised.
SOURCES: State employment agencies.
Federal Reserve Bank of Dallas.

Manufacturing employment also declined seasonally but, at 746,600 in January, was down 6,200 workers from December. Seasonal reductions in food-processing employment accounted for most of the manufacturing employment decrease. Employment in other manufacturing industries held near their December levels.

Unemployment increased seasonally in January, as workers hired for the Christmas shopping season were released and the winter slowdown of outside work continued. Available data show that unemployment in Texas increased from 96,-200 in December to 118,700 in January.

Construction contracts awarded in the District during January increased 23 percent above those of December to a value of $154,979,000, or 22 percent above the level of a year earlier. Residential construction accounted for most of the month-to-month increase, with a gain of nearly 34 percent. "All other" construction awards increased 16 percent from December, as the nonresidential building component of this group showed a contraseasonal upturn. Compared with the same month a year earlier, residential construction awards

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	January 1956	January 1955	December 1955
ELEVENTH DISTRICT	$ 154,979	$ 126,872	$ 125,739
Residential	67,762	51,096	50,596
All other	87,217	75,776	75,143
UNITED STATES[1]	1,858,228	1,485,450	1,920,754
Residential	694,392	671,355	711,206
All other	1,163,836	814,095	1,209,548

[1] 37 states east of the Rocky Mountains.
SOURCE: F. W. Dodge Corporation

BUILDING PERMITS

Area	January 1956 Number	January 1956 Valuation	Percentage change in valuation from January 1955	December 1955
ARIZONA				
Tucson	346	$ 885,242	84	—40
LOUISIANA				
Shreveport	457	2,642,485	53	55
TEXAS				
Abilene	187	1,811,509	79	1
Amarillo	178	1,791,175	—2	47
Austin	307	3,592,200	21	59
Beaumont	282	3,208,114	411	264
Corpus Christi	417	1,851,857	—41	22
Dallas	1,454	24,321,168	86	164
El Paso	419	2,797,336	9	—56
Fort Worth	411	2,346,175	—25	7
Galveston	76	382,141	152	172
Houston	877	10,145,665	—2	79
Lubbock	226	1,603,958	—36	—5
Port Arthur	160	351,519	1	64
San Antonio	1,687	6,162,832	8	52
Waco	230	1,055,205	—35	—5
Wichita Falls	113	633,614	—24	—55
Total—17 cities	7,827	$65,582,195	26	53

during January were up 32 percent, and the total value of "all other" awards was up 15 percent.

In the Nation the value of construction contract awards during January was down 3 percent from December but was 25 percent greater than a year ago. Residential awards declined 2 percent from December and were up only 3 percent from a year earlier. On the other hand, "all other" awards, although down 4 percent from the previous month, were 43 percent above the level of January 1955. Compared with a year ago, "all other" awards as a group displayed much greater strength in the Nation than in the District, whereas residential awards showed a relatively larger gain in the District.

A recent survey by the Manufacturing Chemists' Association reveals that, of a nationwide total of $772,000,000 for privately financed chemical plant expansion and new construction completed in 1955, projects valued at $240,600,000 were completed in the District states of Louisiana, New Mexico, and Texas. In addition, the survey shows that projects costing an estimated $252,100,000 are now under construction in these three states, and there are firm plans for projects costing $85,900,000 to be started before 1957. Not included in these estimates are government-financed chemical projects now under way or completed during 1955, which are estimated at $3,300,000,000 for the Nation.

Texas, with 38 of the 269 projects completed in the Nation in 1955, accounted for $199,000,000 of the privately financed chemical construction completed last year. The cost of 24 projects under construction in Texas, plus four others planned, brings the total chemical plant construction completed in 1955, now under way, or planned for the State to a total of $414,800,000. This is the largest chemical investment during this period for any state and is more than 17 percent of the national total. Organic chemical production receives the greatest share of the Texas investment. Next, in order of investment, are plastics and resins, inorganic chemicals, and synthetic rubber.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON

(Bales)

Area	Dec. 1955[1]	Dec. 1954	Nov. 1955[2]	August—December This season	August—December Last season
CONSUMPTION					
Total					
Texas mills	13,340	11,490	11,443	60,462	57,364
U. S. mills	855,447	801,596	741,447	3,926,014	3,697,120
Daily average					
Texas mills	534	460	572	357	521
U. S. mills	34,218	32,064	37,168	35,691	33,610
STOCKS, U.S.—End of period					
Consuming establishments	1,699,257	1,682,232	1,553,485	—	—
Public storage and compresses	17,592,790	14,026,082	16,607,483	—	—

[1] Five weeks ended December 31.
[2] Four weeks ended November 26.
SOURCE: United States Bureau of the Census.